

## EXPROPRIATION OF PETROLEUM PROPERTIES

*Exchange of notes at Washington November 19, 1941*

*Entered into force November 19, 1941*

*Terminated by agreement of September 25 and 29, 1943*<sup>1</sup>

55 Stat. 1554; Executive Agreement Series 234

### *The Mexican Ambassador to the Secretary of State*

[TRANSLATION]

EMBASSY OF MEXICO

WASHINGTON, D.C., *November 19, 1941*

MR. SECRETARY:

I have the honor to refer to recent conversations I have had with Your Excellency with reference to compensating the nationals of the United States of America whose properties, rights or interests in the petroleum industry in the United Mexican States were affected by acts of expropriation or otherwise by the Government of Mexico subsequent to March 17, 1938.

It is my understanding that the following has been agreed upon:

1. Each of the Governments will appoint, within the thirty days following the date of this note, an expert whose duty it shall be to determine the just compensation to be paid the nationals of the United States of America whose properties, rights or interests in the petroleum industry in the United Mexican States were affected to their detriment by acts of the Government of Mexico subsequent to March 17, 1938. Nevertheless, the provisions of this note do not apply to properties, rights or interests which may have been included in any arrangement with respect to their purchase, transfer or indemnification concluded between their owners or possessors and the Government of the United Mexican States and, in consequence, the experts will exclude from their evaluation proceedings and reports said rights, interests and properties.

2. The designated experts will hold their first meeting in Mexico City within 15 days following the appointment last made by either Government. The later meetings and other activities of the experts will take place on the dates and at the places which the experts themselves determine within the periods contemplated by this agreement and they shall be held on Mexican territory.

<sup>1</sup> EAS 419, *post*, p. 1150.

3. Each Government shall designate such assistants as the respective experts may require to facilitate their labors.

4. The expenses of salaries, maintenance, transportation and other incidental expenditures of the experts and their assistants, will be met by the Government naming them. The joint expenses incurred during the proceedings of the experts shall be shared equally by the two Governments.

5. The experts shall at all times closely collaborate and cooperate in their evaluation proceedings. They may obtain directly such data and evidence as they may consider pertinent to forming their opinion, or receive them from the interested persons and institutions and from the Governments of Mexico and of the United States of America.

6. The experts shall have free access to all records in the possession of the Mexican Government, as well as to the oil fields, lands, installations, offices, buildings and any other properties whatsoever involved directly or indirectly in the evaluation. The United States expert, on the request of the Mexican expert, will ask the interested persons and institutions for pertinent evidence; when such request relates to evidence already submitted by such persons or institutions their refusal to comply with the request will bring into operation the applicable provision of paragraph 9.

7. As soon as one expert obtains or learns of any pertinent data, report, or evidence, he will inform the other. Either expert may request from the other the furnishing of any data, report or evidence which for any reason are available only to the other.

8. Within a period of two months, from the date of their first meeting, the experts shall obtain and receive all data, reports, and evidence; except that a further period of one month shall be allowed for the presentation by either expert of additional data, reports and evidence complementing, clarifying or rectifying the material obtained or received in the said period of two months.

9. The experts are required to examine and appraise all the proofs obtained directly or that may be submitted to them. They shall not take into account any specific evidence submitted *ex parte* when the person or institution submitting it refuses in connection with it to furnish pertinent complementary evidence requested by the United States expert, in accordance with the provisions of paragraph 6. The experts shall not take into account reasons of a technical nature in formulating their decisions—be these joint or those submitted in disagreement—but will fix adequate indemnities on the basis of common rules of justice and equity and will be guided by the value of the properties, rights or interests at the time they were affected by acts of the Government of Mexico provided that these properties, rights or interests had been acquired by nationals of the United States of America prior to March 18, 1938.

10. The experts shall complete their work within five months from the date of this note. If they are in accord regarding the amount of the compensation due to the affected United States nationals, they shall submit a joint report to the two Governments fixing exactly the indemnities upon which they agree. The experts shall formulate recommendations as to the manner and conditions of payment of the compensation.

11. The experts shall fix equitable interest upon the indemnity compensation they find due; this interest will apply from the date fixed by these experts up to the time of payment.

12. Both Governments agree to consider unappealable the joint report resulting from the agreement of the experts, and, in consequence, as definitive, the compensation and interest fixed in such report.

13. If, within the period indicated in paragraph 10, the experts are unable to reach agreement regarding the amount of just compensation, each one, within an additional period of one month, shall submit to his own Government a separate report specifying the compensations which he considers due.

14. In the event that the two experts fail to agree, and upon the expiration of the period specified in paragraph 13, the two Governments shall, within a period of one month, initiate diplomatic negotiations with a view to establishing the amount of the compensations to be paid.

15. If, within a period of five months from the date of initiation of diplomatic negotiations, as provided in paragraph 14, the two Governments do not agree upon the amount of compensation to be paid, the present agreement shall be without effect, and there shall be returned to the United Mexican States, at the request of the Government thereof, the amount deposited in accordance with the pertinent stipulation of the following paragraph.

16. The two Governments shall agree <sup>2</sup> upon the manner and conditions of payment of the compensation found to be due to the affected United States nationals under either of the two aforementioned procedures. Such payment shall, however, be completed within a period of not more than seven years.

The Government of Mexico will deliver today, as a deposit, to the Government of the United States of America, the sum of \$9,000,000 (NINE MILLION DOLLARS), United States currency, which sum shall be applied immediately on account of the compensation determined to be due.

17. The Government of the United States will facilitate negotiations between the Government of Mexico and representatives of such oil companies as may be interested in an agreement for the marketing of exports of Mexican petroleum products.

18. Nothing contained in this note shall be regarded as a precedent or

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<sup>2</sup> See agreement of Sept. 25 and 29, 1943 (EAS 419), *post*, p. 1150.

be invoked by either of the two Governments in the settlement, between them, of any future difficulty, conflict, controversy or arbitration. The action herein provided for is considered as singular and exceptional, appropriate solely to this case, and motivated by the character of the problem itself.

Accept, Excellency, the renewed assurances of my highest consideration.

F. CASTILLO NÁJERA  
*Ambassador*

His Excellency  
CORDELL HULL,  
*Secretary of State,  
etc., etc., etc.*

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*The Secretary of State to the Mexican Ambassador*

DEPARTMENT OF STATE  
WASHINGTON  
*November 19, 1941*

EXCELLENCY:

I have the honor to acknowledge the receipt of Your Excellency's note of today's date, reading as follows:

[For text, see Mexican note, above.]

In reply, I have the honor to confirm the understanding we have reached as set forth in Your Excellency's note under reference.

Accept, Excellency, the renewed assurances of my highest consideration.

CORDELL HULL

His Excellency  
Señor Dr. Don FRANCISCO CASTILLO NÁJERA,  
*Ambassador of Mexico.*